

Shared Revenue and Property Tax Relief

Property Tax Credits

(LFB Budget Summary Document: Page 543)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Transfers from Property Tax Relief Fund to General Fund (Paper #745)
6	Homestead Tax Credit Reestimate (Paper #746)
7	Homestead Tax Credit -- Definition of Household Income (Paper #747)

Budget Memo

Agency: Shared Revenue, Property Tax Relief

Staff Recommendations:

Paper No. 745: Alternative 3

Comments: We don't understand the purpose of a special property tax relief fund. We don't have any strong feelings about what to do here, but think it would be fine to just park the money in the general fund - which is really where it is now. (see paragraph 3 for support of our recommendation)

Paper No. 746: Approve Modification to Bill

Paper No. 747: Approve Modification to Bill

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Transfers from Property Tax Relief Fund to General Fund (Shared Revenue -- Property Tax Credits)

[LFB Summary: Page 543, #2]

CURRENT LAW

The property tax relief fund was created in the 1995-97 biennium to provide monies for state property tax relief during the 1997-99 biennium. The fund consists of monies that otherwise would have become part of the general fund's balance and would have been available for appropriation during 1995-97. Thus, the property tax relief fund is a formal mechanism to ensure that monies will be carried over from one biennium to the next. Provisions in 1995 Acts 213, 351 and 417 require \$257,755,900 to be transferred from the general fund to the property tax relief fund on June 30, 1997.

GOVERNOR

Repeal the requirement that monies in the property tax relief fund be used for property tax relief in 1997-99. This would have the effect of allowing the property tax relief fund to be used to accumulate and provide funding for property tax relief in future biennia.

Require the DOA Secretary to annually transfer from the property tax relief fund to the general fund either the amount in the fund or an amount equal to the combined increase in expenditures under the general equalization aids and school levy tax credit programs, whichever is less. Transfers would not be made if the Secretary estimates that aids and credit expenditures will not increase.

Require the amount of the transfer to be adjusted if the transfer in the previous year was either greater or less than the increase in aids and credit expenditures. If the transfer exceeded the increase, the adjustment would reduce the current year transfer by the amount of the excess. If the transfer was less than the increase, the adjustment would increase the current year transfer by the amount of the deficiency, but the adjusted transfer could not exceed the amount in the property tax relief fund.

DISCUSSION POINTS

1. In 1995 Act 27 (the 1995-97 budget), a commitment was made for the state to provide 66.7% of partial school revenues on an ongoing basis, beginning with the 1996-97 school year. During 1996, the cost of maintaining that commitment was estimated at an additional \$910 million during the 1997-99 biennium. The property tax relief fund was created to assist in funding those commitments.

2. The bill would require transferring either the amount in the property tax relief fund or the amount of the combined increase in general equalization aid and school levy tax credit expenditures, whichever is less. Because the bill proposes to increase total 1997-98 expenditures under the general equalization aids and school levy tax credit programs by \$341,945,400, the entire \$257,755,900 in the property tax relief fund would be transferred to the general fund in that year.

3. There are no future revenues specified for the property tax relief fund under either current law or the bill. Thus far, the property tax relief fund has consisted of monies transferred from the general fund. Subsequently, those monies will be transferred back to the general fund. An identical effect could be achieved by allowing the monies to accumulate as part of the general fund's unencumbered balance. An alternative to the proposal in the bill would be to eliminate the property tax relief fund after transferring the \$257,755,900 to the general fund.

4. Other provisions in the bill would continue the requirement for the state to provide two-thirds of partial school revenues on an ongoing basis, although the procedure for determining that amount would be modified. Also, the bill would increase the school levy tax credit funding level by \$100 million, effective in 1999-2000. Therefore, the conditions that prompted the 1995 Legislature to create the property tax relief fund will continue to influence future Legislatures.

5. Up to \$158,430,100 in future balances in the property tax relief fund could be transferred to the general fund in 1998-99 to reflect the increase in aids and credit expenditures in 1998-99 under the bill (\$74,240,600) and the amount by which the 1997-98 transfer would be deficient (\$84,189,500). If the Legislature appropriates monies to the fund during the 1997-99 biennium without reserving those monies for future biennia, provisions in the bill would require the Secretary of DOA to transfer monies from the fund during the 1997-99 biennium, even if a balance is estimated for the general fund.

6. The proposed language would give DOA flexibility on when to withdraw monies from the fund. DOA has indicated that this may be desirable when determining the size of the state's operating note. Each year, the state issues an operating note to address its cash flow needs. In general, transferring funds back to the general fund early in the fiscal year would have the effect of reducing the operating note's size.

7. Under current law, depositing monies into the property tax relief fund and transferring monies from the fund both require legislative action. If the Legislature decides that continuing the fund serves a useful purpose, should the Legislature continue to be involved in removing monies from the fund?

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation by removing the provisions requiring the Secretary of the Department of Administration to automatically transfer monies from the fund. Provide for the transfer of \$257,755,900 from the property tax relief fund to the general fund, effective upon passage of the bill.
3. Delete the Governor's recommendation and instead provide for the transfer of \$257,755,900 from the property tax relief fund to general fund and repeal the property tax relief fund, both effective upon passage of the bill.

Prepared by: Rick Olin

MO# Alt 2

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
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OURADA	<input checked="" type="radio"/>	N	A
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GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Homestead Tax Credit Reestimate (Shared Revenue -- Property Tax Credits)

[LFB Summary: Page 545, #6]

CURRENT LAW

Tax Credit Computation. The homestead tax credit program provides property tax relief to low-income homeowners and renters through an income tax credit or as a cash refund if the credit exceeds income tax liability.

The program is limited to claimants age 18 and older with annual household income of not more than \$19,154. The first \$1,450 of the property tax bill is considered in determining the amount of the credit for homeowners. For renters, 25% of rent (20% if heat is included) is considered, up to the same \$1,450 maximum. The amount of the credit is determined by the formula outlined below.

$$\text{Credit} = 80\% \times [\text{Property Tax} - 13\% \times (\text{Household Income} - \$8,000)]$$

The credit is paid through a GPR, sum sufficient appropriation. In 1996-97, \$89,400,000 is budgeted for the program.

Public Assistance Recipients. Under current law, a credit cannot be received for any month that the claimant received either \$400 or more of cash benefits under a county relief program or any amount of aid to families with dependent children (AFDC). Further, a credit cannot be received for any month that the claimant participated in a community service job or transitional placement under the Wisconsin Works (W-2) program. State law requires W-2 to be implemented by October 1, 1997. A claimant can receive a prorated credit for each month not affected by these restrictions.

GOVERNOR

Increase the sum sufficient appropriation by \$6,100,000 annually to reflect anticipated costs under the current law credit, including: (a) an increase of \$100,000 in 1997-98 and a reduction of \$1,900,000 in 1998-99 to reflect reestimated program costs for current claimants; and (b) increases of \$6,000,000 in 1997-98 and \$8,000,000 in 1998-99 for credits to Wisconsin Works (W-2) participants who become new claimants. With these adjustments, estimated total funding would be increased from the adjusted base level of \$89,400,000 to \$95,500,000 in each year of the biennium.

DISCUSSION POINTS

1. It is currently estimated that \$97,200,000 in credits will be provided under the program in 1996-97. This is an increase of \$7,800,000 from the 1996-97 base level funding of \$89,400,000. This increase is primarily due to: (a) lower estimated property tax reductions in 1996 for current claimants due to the October 29, 1996, Dane County Circuit Court decision that found the lottery credit unconstitutional and prohibited the distribution of lottery proceeds under the mechanism established for the 1996(97) tax year; and (b) increases for credits to former AFDC recipients who have become new claimants.

2. Under the bill, it is estimated that credits paid to current claimants would be \$89,500,000 in 1997-98 and \$87,500,000 in 1998-99. Based on reestimated changes in income and property taxes during the 1997-99 biennium, the cost of the homestead tax credit for current claimants is now estimated to be \$87,500,000 in 1997-98 and \$86,200,000 in 1998-99. Compared to the bill, these estimates represent decreases of \$2,000,000 in 1997-98 and \$1,300,000 in 1998-99.

3. The amounts for the homestead tax credit under the bill also include increases of \$6,000,000 in 1997-98 and \$8,000,000 in 1998-99 for credits to AFDC/W-2 participants who become new claimants. Based on a reestimate of the AFDC/W-2 caseload in the 1997-99 biennium, the cost of the homestead tax credit for AFDC/W-2 participants who become new claimants is now estimated to be \$6,600,000 in 1997-98 and \$7,300,000 in 1998-99. Compared to the bill, these estimates represent an increase of \$600,000 in 1997-98 and a decrease of \$700,000 in 1998-99.

4. In total, costs for the homestead tax credit are reestimated to be \$94,100,000 in 1997-98 and \$93,500,000 in 1998-99. Compared to the bill, these estimates represent reductions of \$1,400,000 in 1997-98 and \$2,000,000 in 1998-99.

MODIFICATION TO BILL

Reestimate the sum sufficient amount for the homestead tax credit at \$94,100,000 GPR in 1997-98 and \$93,500,000 GPR in 1998-99.

<u>Modification</u>	<u>GPR</u>
1997-99 FUNDING (Change to Bill)	- \$3,400,000

Prepared by: Cheryl McIlquham

MO#

modification

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
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COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
2 JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Homestead Tax Credit -- Definition of Household Income (Shared Revenue -- Property Tax Credits)

[LFB Summary: Page 545, #7]

CURRENT LAW

Current state law defines income for the homestead credit as the sum of Wisconsin adjusted gross income and other amounts, including scholarship and fellowship gifts or income received in the tax year for which the homestead credit is being claimed.

Under federal law, federal adjusted gross income includes scholarship and fellowship income other than amounts used for tuition and fees required for enrollment or attendance, as well as for books, supplies and equipment required for courses of instruction. Federal regulations provide that the taxable portion of such income is determined at the end of the academic period to which the scholarship or fellowship pertains.

Federal adjusted gross income is the starting point for determining Wisconsin adjusted gross income.

GOVERNOR

Modify the definition of household income for purposes of determining the amount of the credit by deleting, as an addition to Wisconsin adjusted gross income, those amounts from a qualified scholarship or qualified tuition reduction that are includable in the calculation of federal adjusted gross income, as defined by the internal revenue code.

This provision would become effective on the effective date of the bill. Specify that, if the provision becomes effective between January 1 and July 31, the provision would first apply to tax years beginning on January 1 of that year. If the provision becomes effective on or after August 1, it would first apply beginning on January 1 of the following tax year.

MODIFICATION TO BILL

Delete the change to the household income definition in the bill and instead specify that scholarship and fellowship income included in Wisconsin adjusted gross income, but added to household income for purposes of determining the homestead credit in a previous year, may be subtracted from income for the current year in determining the homestead tax credit.

Explanation: Since Wisconsin adjusted gross income is derived from federal adjusted gross income, for persons that receive scholarship or fellowship income and claim the homestead credit in two consecutive years certain scholarship and fellowship income may be counted twice -- once in the year it is received and again in the following year. The Governor's recommendation is intended to remedy this situation. However, a modification to the statutory provisions in the bill would be necessary to accomplish this.

Prepared by: Cheryl McIlquham

MO# modification

1 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
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2 JENSEN	<input checked="" type="radio"/>	N	A
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GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE _____ NO _____ ABS _____

SHARED REVENUE AND PROPERTY TAX RELIEF

School Aids and Homestead Tax Credit

Motion:

Move the following:

School Aids. Delete \$1.12 billion GPR in 1998-99 and reduce, from two-thirds to 50%, the statutory percentage of partial school revenues funded by the state. This provision would first apply to the appropriation estimate that is required to be certified to the Joint Committee on Finance on or before June 15, 1998.

Homestead Tax Credit. Provide \$1.12 billion GPR in 1998-99 and modify the homestead tax credit formula factors as follows:

- a. Increase the maximum income to \$108,333 from the current \$19,154;
- b. Increase the maximum property tax (or rent constituting property taxes) to \$5,000 from the current \$1,450;
- c. Increase the percent of property taxes reimbursed to 90% from the current 80%;
- d. Increase the income threshold to \$25,000 from the current \$8,000; and
- e. Lower the rate at which excessive income reduces the potential credit to 5.4% from the current 10.4%.

Provide that these changes would apply to any claim filed in 1999 and thereafter, based on property taxes (or rent constituting property taxes) accrued during the previous year.

Note:

This motion would reduce the state school aid percentage from two-thirds to 50% of partial school revenues to fund an expansion of the homestead tax credit program.

This motion is identical to Senate Bill 13. In its fiscal note on the bill, the Department of Revenue (DOR) estimates that there would be an additional one million claimants under the proposed expansion and, therefore, estimates ongoing administrative costs of \$3.2 million GPR and 48.5 GPR positions annually and one-time costs for scanning equipment, software and other computer-related expenses of \$4.3 million.

MO# 7068

BURKE	Y	(N)	A
DECKER	(Y)	N	A
2GEORGE	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
SHIBILSKI	Y	(N)	A
COWLES	Y	(N)	A
PANZER	Y	(N)	A
JENSEN	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
ALBERS	Y	(N)	A
GARD	Y	(N)	A
KAUFERT	Y	(N)	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

AYE 6 NO 10 ABS 0

SHARED REVENUE AND PROPERTY TAX RELIEF

Property Tax Credits

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
8	Farmland Preservation Credit -- Reestimate Cost
9	Farmland Tax Relief Credit -- Reestimate Cost

LFB Summary Items to be Addressed in Subsequent Papers

<u>Item #</u>	<u>Title</u>
1	School Levy Tax Credit
3	Lottery Credit -- Funding Level
4	Lottery Credit -- Distribution Formula
5	Lottery Credit -- Precertification

Shared Revenue and Property Tax Relief

Property Taxation

(LFB Budget Summary Document: Page 546)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Environmental Remediation Tax Incremental Financing (Paper #755)

Agency: Shared Revenue - Property Taxation

Staff Recommendations:

Paper No. 755: Alternative 2(a)(b)(c)(d) ~~and~~

Comments: This is a fairly important part of the brownfield redevelopment initiative, and our selected alternatives keep the idea alive but make some good changes suggested by FB (see paragraphs 7, 10, 11, 15 and 16)

Note: Panzer will probably want to take all the credit for this idea (see paragraph 1). Don't let her talk, or if she does, mention that this probably should have been in the statutes two years ago.

Possible Burke Motion: I'm checking with Bill Ford at Leg Council to see if there is a way you could tighten up the definition of "blighted" area (i.e. so TIF's can't be used for sprawl).

For items that FB didn't prepare papers on, **no action is needed**, because you are working off the bill.

e puts burden for brownfields cleanup.

If prop. is not worth anything then
useless to schools anyway -

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Environmental Remediation Tax Incremental Financing (Shared Revenue -- Property Taxation)

[LFB Summary: Page 546, #1]

CURRENT LAW

Under current law, city and village governments may create a tax incremental financing (TIF) district if 50% or more of the proposed district's area is "blighted," in need of rehabilitation or conservation work or suitable for industrial sites.

Generally, in order to create a TIF district, a municipality must: (a) convene a joint review board, consisting of one member representing each taxing jurisdiction that can levy taxes on property within the TIF district; (b) hold public hearings; (c) receive approval of the project plan by the local legislative body; and (d) adopt a creation resolution. Finally, no TIF district can be created unless approved by a majority vote of the joint review board.

Once a TIF district has been created, a tax incremental base value is established by the Department of Revenue (DOR) for property within the district at the time it was created. The general property taxes levied on the value of the TIF district in excess of its base value are deposited into a special fund. With two limited exceptions, the monies in the fund can only be used to finance the district's eligible project costs.

Depending on the date of creation, project expenditures must be made within seven or 10 years after the creation of a TIF district and no TIF project can last longer than 23 or 27 years after the date of its creation.

Current law allows cities and villages to establish any number of TIF districts. However, no new TIF district may be created once a municipality exceeds both of the following thresholds:

- a. The equalized value of the proposed TIF district plus the equalized value of all existing TIF districts within the municipality exceeds 7% of the municipality's total equalized value;
- b. The equalized value of the proposed TIF district plus the value increment of all existing TIF districts (this excludes the base value) within the municipality exceeds 5% of the municipality's total equalized value.

GOVERNOR

The environmental remediation tax incremental financing (ER TIF) provisions would create an option for cities, villages, towns and counties to recover costs of remediating contaminated land acquired through tax delinquency proceedings or other means. Under the bill, once the political subdivision receives certification from DNR that it has remediated the property and then sells the property, it can write a proposal to use tax incremental financing as a mechanism to pay for eligible remediation costs that have not been paid for by the persons responsible for the contamination or by proceeds received from the sale of the land. If the proposal is approved by the joint review board, the taxing jurisdictions with authority to levy taxes on the remediated property would be required to deposit the taxes levied on the increased value of the remediated property (referred to as the tax increment) into a special fund. This fund could be used only to pay for eligible remediation costs. Tax increments could be placed in this fund for up to 17 years or until all eligible costs have been paid, whichever comes first. At this point, all taxing jurisdictions would receive the taxes levied on the basis of the current assessed value of the property.

DISCUSSION POINTS

1. A proposal to establish a TIF funding mechanism outside of current TIF law to specifically address environmental remediation was first developed and recommended by the Legislative Council Special Committee on Remediation of Environmental Contamination. Under the bill, the proposed ER TIF program is one of a series of proposals that address issues related to abandoned or idle properties affected by environmental contamination, or "brownfields." The ER TIF proposal is intended to provide counties and municipalities with another option for paying for the costs of remediating these properties.

2. Under the bill, eligible costs would include those specifically incurred for the removal, containment or monitoring of environmental pollution or for the restoration of soil or groundwater affected by environmental pollution. Environmental pollution would be defined as

under current law, except that the bill explicitly excludes any damage caused by runoff from land under agricultural use. This exclusion was included to ensure that the ER TIF program targets contaminated sites that are industrial or commercial in nature rather than agricultural.

3. Under current TIF law, eligible project costs include costs associated with the removal or containment of environmental pollution or the restoration of soil or groundwater affected by environmental pollution. Thus, cities and villages currently have the option to use tax incremental financing to fund these costs (with the exception of monitoring costs, which are not included in eligible costs under current TIF law).

4. Proponents of the ER TIF proposal argue that, compared to the current TIF law, the proposed ER TIF program would offer the following advantages.

- Counties and towns, as well as cities and villages, would have the authority to use the ER TIF mechanism.

- Many of the procedural requirements under current TIF provisions would not be required under the ER TIF program and, thus, it would be less burdensome to use.

- Because the proposed ER TIF law would not require the TIF district to be created prior to incurring costs for remediation, counties and municipalities may more quickly address remediation of contaminated property and would have information regarding the actual cost of remediation. In addition, since the property must be transferred to another person prior to creation of an ER TIF, the property would have become subject to taxation.

- The authority to create ER TIF districts is not limited by the percentage of a municipality's equalized value that is included in such districts. Current TIF law establishes certain limitations on the percentage of a municipality's equalized value that can be included in TIF districts. Thus, municipalities that are currently prohibited from creating additional TIF districts because they have come up against these limits could, under the bill, create an ER TIF district. Based on data for 309 municipalities with active TIF districts in 1995, nearly 40% of municipalities have exceeded the value limitations and, therefore, are currently prohibited from creating additional TIF districts.

5. Based on data compiled by the Department of Natural Resources (DNR), in 1994, there were over 15,000 known or suspected contamination sites in Wisconsin. Of these, an estimated 9,000 were sites contaminated by leaking underground tanks.

6. The DNR indicates that the cost of remediation varies greatly depending on such factors as the level and type of contamination, the size of the site, whether the contamination involves soil or groundwater, geologic conditions and the methods used to conduct the remediation. DNR has reported the following examples of cost estimates from "cleanups" conducted in Wisconsin:

- \$5,000 to \$200,000 for preliminary site investigations;
- \$200,000 to \$1,000,000 (although most are under \$500,000) for further remedial investigation costs where serious contamination exists;
- \$10,000 to \$2,000,000 or more for soil remediation;
- \$20,000 to \$50,000 or more for groundwater remedies on sites where natural attenuation is used. At sites where an active remedy (engineered system) is used, costs can range from \$100,000 to millions of dollars; and
- \$100,000 to up to \$20 million (although most fall between \$4 million and \$6 million) for capital costs for landfill remedies with operation and maintenance expenses potentially adding several million dollars more in costs.

7. The extent to which counties and municipalities would use the proposed ER TIF as a funding mechanism for addressing environmental pollution is unknown. However, based on discussions with a number of municipal officials and organizations representing municipalities, it appears that local officials would support the creation of another TIF mechanism available specifically for financing remediation projects.

8. The proposal approved by the Legislative Council Special Committee on Remediation of Environmental Contamination did not include provisions for receiving approval by a joint review board to create an ER TIF district. Rather, affected taxing jurisdictions would have simply received notice that taxes on the incremental value of the remediated property were going to be diverted to a special fund to pay for eligible remediation costs.

9. Generally, current TIF law requires public hearings, adoption of a resolution and approval by a joint review board before a TIF district can be created. In addition, a district must be created before project costs can be incurred. Under the ER TIF proposal, a political subdivision could write a proposal to use an ER tax increment to pay eligible costs on property that has been remediated (as certified by DNR) and transferred to another person. The proposal would then be subject to approval by a joint review board as a condition of submitting an application for creation to DOR. Under this process, the costs of remediation would have been incurred prior to review and possible approval by the joint review board. Thus, there would be no guarantee that a special ER TIF fund would be created to help defray the costs of the remediation. Counties and municipalities could be at risk of having to pay for remediation costs through the general property tax levy or other available resources.

10. Because remediation costs would have been incurred prior to consideration of the ER TIF proposal by the joint review board and possible public hearings, the overlying taxing jurisdictions that would share in the costs would not be allowed input prior to remediation. It could be argued, therefore, that these jurisdictions should be involved in planning for and

approving estimated remediation project costs and that the public should be provided the opportunity to be heard.

11. To allow input by overlying taxing jurisdictions before remediation costs are incurred, the bill could be modified to require a public hearing and approval by a majority vote of the joint review board prior to incurring project costs for an ER TIF district, as under current TIF law. With this modification, current TIF provisions that limit the period in which project costs may be incurred to seven years after the date of creation could also be considered for inclusion. (Under current law, for TIF districts created before October 1, 1995, project expenditures can be made up to 10 years after creation. For districts created after September 30, 1995, project expenditures must be made within seven years.)

12. Under current TIF law, no expenditure may be made before the date the project plan is approved, except for costs directly related to planning the TIF district. If the bill is modified to require approval by the joint review board prior to incurring costs and to limit the project expenditure period, a similar provision could be included for ER TIF districts. Since the cost to remediate contaminated property becomes apparent only after an investigation is completed, including investigation costs, as well as planning costs, in those that could be incurred prior to approval of an ER TIF would be beneficial to counties and municipalities in estimating remediation costs.

13. Under the bill, the allocation of tax increments from an ER TIF may occur for up to 17 years after DOR certifies the tax incremental base or until all eligible costs have been paid, whichever comes first. Current TIF law limits the allocation period to either 16 or 20 years (depending on the date of creation) after the final project cost is incurred and no TIF district may last longer than 23 or 27 years (which includes the project expenditure period). If a seven-year limit on project expenditures is applied to the proposed ER TIF program, the maximum life of an ER TIF district would be 24 years after DOR certifies the tax incremental base. To provide greater consistency with current TIF law, an alternative to allow allocation of tax increments for up to 16 years, rather than 17 years as proposed, after the last project expenditure is made could be considered.

14. The Wisconsin Association of School Boards (WASB) has expressed opposition to the current TIF law. Specifically, WASB's objection is based on the argument that, with TIF, school property tax revenues are diverted from funding education-related expenses to funding municipal development and redevelopment projects. Therefore, WASB is also opposed to the ER TIF proposal as it is viewed as an extension of the current TIF program.

15. Others would argue, however, that since the TIF law was originally enacted to stimulate development that would not otherwise occur, using TIF as a mechanism to pay for the remediating contaminated property is justifiable. In such instances, school districts and other overlying taxing jurisdictions would otherwise not have received taxes on the property because

the property would not have been remediated, made available for development and, ultimately, subjected to taxation.

16. DOR has expressed several concerns related to the administration of the proposed ER TIF program. Specifically, DOR points out that the proposed ER TIF law does not include certain provisions in current TIF law that allow DOR to receive the information it needs to determine the tax incremental base, authorize the allocation of tax increments and terminate a district in a timely manner.

To address DOR's administrative concerns, the bill could be modified to include provisions that: (a) require the political subdivision to complete the required forms, as prescribed by DOR, for the determination of the ER tax incremental base and to submit the application for certification to DOR on or before April 1 of the year following the year in which certification was received by DNR; (b) allow DOR to authorize allocation of tax increments for any ER tax incremental district only if the political subdivision annually submits to DOR all required information on or before the second Monday in June; and (c) provide that if DOR receives a notice of termination during the period from January 1 to May 15, the effective date of the notice is the date the notice is received. If the notice is received during the period from May 16 to December 31, the effective date of the notice is the first January 1 after DOR receives the notice.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to authorize counties and municipalities to create environmental remediation TIF districts.

2. Modify the Governor's recommendation by including one or more of the following alternatives:

a. To address administrative concerns: (a) require the political subdivision to complete the required forms, as prescribed by DOR, for the determination of the ER tax incremental base and to submit the application for certification to DOR on or before April 1 of the year following the year in which certification was received by DNR; (b) allow DOR to authorize allocation of tax increments for any ER tax incremental district only if the political subdivision annually submits to DOR all required information on or before the second Monday in June; and (c) provide that if DOR receives a notice of termination during the period from January 1 to May 15, the effective date of the notice is the date the notice is received. If the notice is received during the period from May 16 to December 31, the effective date of the notice is the first January 1 after DOR receives the notice.

b. Delete the provisions of the bill related to requiring the political subdivision that owns the property to incur remediation costs, receive certification from DNR that the property has been remediated and then transfer the property to another person as conditions for writing a proposal to use tax incremental financing. Instead, require the political subdivision to submit a written proposal to use an ER tax increment to the joint review board prior to incurring project costs. Require the political subdivision to hold a public hearing on the proposed creation of the ER TIF district within 30 days prior to submitting the proposal to the joint review board. Extend current TIF law provisions regarding publication of a notice and providing notice to taxing jurisdictions having the power to levy taxes on the property located within the proposed ER TIF district to the ER TIF proposal public hearing process. Provide that, upon approval of the proposal by the joint review board, project expenditures may be made for up to seven years after the ER TIF is created. In addition, modify the provisions of the bill that allow ER tax increments to be placed in a separate fund from the time DOR certifies the tax incremental base to, instead, provide that this may occur from the date the last project expenditure is made. This would limit the maximum life span of an ER TIF district to 24 years.

c. Provide that ER tax increments may be placed in the separate fund for up to 16 years, rather than for up to 17 years. This would limit the maximum life span of an ER TIF district to either 16 years or 23 years, depending on whether alternative 2b is adopted.

d. Include investigation costs in the definition of eligible costs.

e. Provide that no expenditure may be made before the date the project plan is approved by the joint review board, except for costs directly related to investigating the property for environmental pollution and planning the ER TIF district. (This alternative would only apply if alternatives 2b and 2d are also selected.)

3. Delete the Governor's recommendation.

Prepared by: Cheryl McIlquham

MO# 2 a, c, d

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

SHARED REVENUE AND PROPERTY TAX RELIEF

Environmental Remediation Tax Incremental Financing

Motion:

Move to increase, from 10 years to 12 years, the project expenditure period for a tax incremental district (TID) that is created before October 1, 1995, and that receives allocations of positive tax increments from a TID that, under current law, pays off its project costs and for which a planning commission amends the project plan to allocate positive tax increments generated by the TID to another TID created by that planning commission in which soil affected by environmental pollution exists to the extent that development has not been able to proceed according to the project plan because of the environmental pollution. Extend, from 20 to 30, the number of years for which tax increments may be allocated to such a environmentally polluted TID. Specify that in no case may the total number of years during which expenditures are made plus the total number of years during which tax increments are allocated exceed 37 years, rather than 27 years under current law.

Extend the sunset date, from January 1, 2002, to August 1, 2016, on the current law provisions that allow a TID to allocate positive tax increments to another TID, created by the same planning commission, with soil affected by environmental pollution to August 1, 2016.

Note:

Under current TIF law, a TIF district terminates when all project costs of that district are reimbursed, the district is dissolved or the maximum allowable life span (16 or 20 years, depending on the date of creation) is reached. However, up to January 1, 2002, if the district is in the City of Kenosha and it has paid off its project costs, the planning commission may amend the project plan to allocate positive tax increments generated by the district to another district created by that planning commission in which soil affected by environmental pollution exists to the extent that development has not been able to proceed according to the project plan because of the environmental pollution. For TIDs created before October 1, 1995, project expenditures can be made for up to 10 years after the TID is created and the allocation of tax increments may occur for up to 20 years after the final project expenditure is made. However, no TID may last longer than 27 years.

This motion would: (a) extend the project expenditure period to 12 years for a TID in the City of Kenosha that is created before October 1, 1995, and that receives allocations of positive tax increments from another TID in the city; (b) extend, to 30, the number of years from the date of the last project expenditure made by the donating TID may allocate positive tax; and (c) extend the maximum life to 37 years; and (d) extend the sunset date to August 1, 2016.

MO#

1723

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
2 OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A
AYE	11	NO	0
		ABS	0

SHARED REVENUE AND PROPERTY TAX RELIEF

Environmental Remediation Tax Incremental Financing

Motion:

Move to modify the definition of eligible costs to include monitoring costs incurred within two years from the date the Department of Natural Resources (DNR) certifies that environmental pollution on the property has been remediated.

Note:

Under the bill, only monitoring costs incurred prior to certification by DNR are included as eligible costs.

This motion would also include monitoring costs incurred during the two year period following certification by DNR.

MO# 3141

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A
AYE <u>16</u> NO <u>0</u> ABS <u>0</u>			

Representative Albers

SHARED REVENUE AND PROPERTY TAX RELIEF

Environmental Remediation Tax Incremental Financing

Motion:

Move to modify the definition of eligible costs to include monitoring costs incurred within two years from the date the Department of Natural Resources (DNR) certifies that environmental pollution on the property has been remediated.

Note:

Under the bill, only monitoring costs incurred prior to certification by DNR are included as eligible costs.

This motion would also include monitoring costs incurred during the two year period following certification by DNR.

MO# 3141

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
/ ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE ____ NO ____ ABS ____

withdrawn

SHARED REVENUE AND PROPERTY TAX RELIEF

Environmental Remediation Tax Incremental Financing

Motion:

Move to extend to the City of Glendale a current law tax incremental financing (TIF) provision that allows a planning commission to amend the project plan of a TIF district, that has paid off the aggregate of all of its project costs, to allocate positive tax increments generated by that district to another TIF district created by that planning commission in which soil affected by environmental pollution exists to the extent that development has not been able to proceed according to the project plan because of the environmental pollution.

Define the City of Glendale as a city with a population of at least 10,000 that was incorporated in 1950 and that is in a county with a population of more than 500,000 which is adjacent to one of the Great Lakes.

Note:

Under current TIF law, a TIF district terminates when all project costs of that district are reimbursed, the district is dissolved or the maximum allowable life span (16 or 20 years, depending on the date of creation) is reached. However, under the following two circumstances, a TIF district does not have to be terminated when all project costs have been reimbursed: (a) positive tax increments of the district have been allocated to another district which has yet to pay off the aggregate of all of its project costs under its project plan (this can occur for up to 10 years, and applies only to TIDs created before October 1, 1995, that have the same overlying taxing jurisdictions); or (b) up to the year 2002, the district is in the City of Kenosha and the tax increments have been shifted to a TID with environmental contamination whose project costs have not been fully covered. Under these circumstances, the tax increments of the TIF district that has paid off its project costs could be shifted to pay off project costs of another TIF district.

This motion would extend to the City of Glendale the provision that currently applies to the City of Kenosha, thus allowing the City of Glendale to allocate positive tax increments from a TIF district that has paid off its project costs to another TIF district in which the City has discovered evidence of contamination which is estimated to add costs for remediation that exceed projected revenues from this TIF district.

MO# 1538

2 BURKE	(Y)	N	A
DECKER	(Y)	N	A
1 GEORGE	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A

JENSEN	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
ALBERS	(Y)	N	A
GARD	(Y)	N	A
KAUFERT	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

AYE 16 NO 0 ABS 0

SHARED REVENUE AND PROPERTY TAX RELIEF

Environmental Remediation Tax Incremental Financing

Motion:

Move to delete towns and counties from environmental remediation tax incremental financing.

MO# 3160

BURKE	Y	(N)	A
2 DECKER	Y	(N)	A
GEORGE	(Y)	(N)	A
JAUCH	Y	(N)	A
WINEKE	(Y)	(N)	A
SHIBILSKI	Y	(N)	A
COWLES	(Y)	N	A
PANZER	Y	(N)	A
JENSEN	Y	(N)	A
OURADA	Y	(N)	A
HARSDORF	Y	(N)	A
ALBERS	Y	(N)	A
GARD	Y	(N)	A
KAUFERT	(Y)	N	A
LINTON	Y	(N)	A
COGGS	Y	(N)	A
AYE	<u>4</u>	NO	<u>12</u> ABS <u>0</u>

SHARED REVENUE AND PROPERTY TAX RELIEF

Property Tax Exemption for Benevolent Retirement Homes for the Aged

Motion:

Move to replace the property tax exemption for benevolent retirement homes for the aged with an exemption for charitable retirement homes for the aged, effective with property assessed as of January 1, 1998. Define charitable retirement homes for the aged as retirement homes for the aged that meet the following conditions: (1) no part of the home's net earnings inure to the benefit of any shareholder, member, director or officer; (2) a substantial number of the residents pay fees that do not fully cover the costs of providing housing and the services they receive; and (3) the home benefits a substantial number of persons who are legitimate objects of charity.

Note:

This motion would slightly broaden the tax base in certain municipalities and shift property from other local taxpayers to property owned by benevolent retirement homes for the aged that would no longer be exempt. A slight increase in state forestry taxes would occur.

MO# 1750

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
HARSDORF	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
ALBERS	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
2 GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A
AYE	<u>12</u>	NO	<u>4</u>
ABS	<u>0</u>		

SHARED REVENUE AND PROPERTY TAX RELIEF

Property Tax Exemption for Property Owned by the Salvation Army

Motion:

Move to modify the property tax exemption for property owned by the Boy Scouts of America, the Boys Clubs of America, the Girl Scouts or Camp Fire Girls to include property owned by the Salvation Army, effective with property assessed on January 1, 1998.

Note:

This motion would extend the exemption under s. 70.11 (12) of the state statutes to include property owned by the Salvation Army. An unknown amount of property taxes would be shifted from the affected property to property that remains taxable. State forestry tax revenue would decrease by an unknown amount.

MO# 1706

2

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

SHARED REVENUE AND PROPERTY TAX RELIEF

Property Taxation

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Cancellation of Delinquent Property Taxes on Contaminated Property
4	Payment of Property Taxes by Credit Card

LFB Summary Items for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
3	Define Motion Picture Production Property as Manufacturing Property
5	Income Tax Setoff of Delinquent Personal Property Taxes

MO# exclude item 4

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
GEORGE	Y	<input checked="" type="radio"/> N	A
JAUCH	Y	<input checked="" type="radio"/> N	A
WINEKE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
COWLES	Y	<input checked="" type="radio"/> N	A
PANZER	Y	<input checked="" type="radio"/> N	A
JENSEN	Y	<input checked="" type="radio"/> N	A
2OURADA	Y	<input checked="" type="radio"/> N	A
1HARSDORF	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
ALBERS	Y	<input checked="" type="radio"/> N	A
GARD	Y	<input checked="" type="radio"/> N	A
KAUFERT	Y	<input checked="" type="radio"/> N	A
LINTON	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A
AYE	<u>1</u>	NO	<u>15</u> ABS <u>0</u>